

AR79



**The EQUITABLE LIFE insurance company
OF CANADA**

58th Annual Report

1977

DIRECTORS

HOWARD E. POWER*†, F.C.I.S.	<i>Chairman of the Board</i>
THOMAS R. SUTTIE*, F.I.A., F.C.I.A.	<i>President</i>
WILLIAM H. TIMMIS*	<i>1st Vice-President</i>
HARRY D. GREB*	<i>2nd Vice-President</i>
JAMES C. BURT	JOHN M. HARPER†, Q.C.
TAMARA GIESBRECHT†	HARRY S. MORTON, O.B.E., LL.D., F.R.C.S.
WOLFE D. GOODMAN*, Q.C.	JOHN G. WEBER†
J. GERALD HAGEY*, LL.D.	

* Member of Executive Committee

† Member of Audit Committee

HONORARY DIRECTORS

W. J. McGIBBON, Q.C.	J. W. SCOTT	C. N. WEBER
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OFFICERS

T. R. SUTTIE, F.I.A., F.C.I.A.	<i>President</i>
G. R. BLAKE, F.L.M.I.	<i>Vice-President and Treasurer</i>
D. L. MacLEOD	<i>Vice-President, Marketing</i>
H. I. McINTOSH, F.S.A., F.C.I.A.	<i>Vice-President and Actuary</i>
R. A. SAUNDERS, F.S.A., F.C.I.A.	<i>Vice-President and Comptroller</i>
W. H. WAHL, F.C.I.S., F.L.M.I.	<i>Vice-President and Secretary</i>
R. D. BEAUBIEN, F.S.A., F.C.I.A.	<i>Assistant Actuary, Individual Products</i>
G. L. BRUNT, C.L.U.	<i>Regional Sales Director</i>
D. G. CHAMBERS	<i>Mortgage Lending Officer</i>
B. V. DOUTHWAITE	<i>Senior Sales Director</i>
L. J. HAMEL, F.L.M.I.	<i>Investment Administrative Officer</i>
R. D. MARVEN, F.L.M.I.	<i>Policyowner Service Officer</i>
G. J. MELNIK, F.S.A., F.C.I.A.	<i>Group Actuary</i>
D. J. MULLIGAN	<i>Employee Benefit Plans Sales Director</i>
W. H. PUGH, F.L.M.I.	<i>Assistant Secretary</i>
D. C. RAMSAY, F.L.M.I.	<i>Systems and Planning Officer</i>
R. E. SCHIEDEL	<i>Electronic Data Processing Officer</i>
D. G. SEEBACH, F.L.M.I.	<i>Marketing Services Director</i>
J. W. SHADDICK, F.S.A., F.C.I.A.	<i>Assistant Actuary, Research and Statistics</i>
HARPER, HANEY, WHITE, HOBSON, WOODS & JENKINS	<i>Solicitors</i>
P. G. SCHWAGER, M.D.	<i>Medical Director</i>

DIRECTORS' REPORT

TO THE POLICYOWNERS OF THE EQUITABLE LIFE INSURANCE COMPANY OF CANADA

NEW BUSINESS — New records were established in the volume of business written. The total of \$275,812,904 exceeded that for the previous year by 9%. Included in this total were individual life insurance sales of \$149,495,111, an increase of 19%; individual annuity sales of \$54,923,186, a decrease of 26%; group sales of \$71,394,607, an increase of 32%. These new writings, together with increases in existing groups, brought the business in force to \$3,212,242,443.

POLICY RESERVES — The Policy Reserves include a Mortality Fluctuation Reserve of \$1,696,381. The mortality experience can fluctuate widely from year to year. This reserve has been drawn upon in the past when the mortality exceeded that expected and is available to be drawn upon in the future in similar circumstances. To provide for this, additions must be made in years of light mortality. In 1976 death claims were substantially below the level provided for in the premiums and \$217,396 was added to this reserve. In 1977 the mortality rate was even more favourable and it was considered appropriate to make a further addition of \$750,000. These amounts are included in the item "Additions to policy reserves to provide for future payments" in the Summary of Operations.

EARNED INTEREST RATE — This represents the return on the book value of investments made at varying interest rates in earlier years. Investment rates in 1977, although lower than in the two previous years, were at historically high levels; the average rate of interest on investments made during the year exceeded 10%. As a result, the earned interest rate increased to 8.48% from 8.22% in the previous year.

TAXATION — The estimate of income tax payable in respect of 1977 is \$1,250,000. This amount, which is included in the item "Income Tax, premium and municipal taxes and licence fees" in the Summary of Operations, is substantially increased from the \$500,000 payable in respect of 1976.

DIRECTORS — Mr. W. J. McGibbon, Q.C., who would have been ineligible for re-election at the Annual Meeting on February 6, 1978 because of the age limit imposed by the Canadian and British Insurance Companies Act, submitted his resignation at the January 1978 meeting of the Board of Directors. Mr. McGibbon was first elected to the Board in 1946 and has served as 1st Vice President since 1966; his long experience and wise counsel will be greatly missed. His continuing interest in the welfare of the Company was recognized by his election as an Honorary Director. Mr. W. H. Timmis was elected 1st Vice President and Mr. H. D. Greb, 2nd Vice President.

We regret to report the death in January 1978 of Mr. M. J. Smith who was elected an Honorary Director in 1974 after being associated with the Company since its founding in 1920; among the positions in which he served were those of General Manager, President, Chairman and Honorary Chairman.

STAFF — The directors again wish to record their sincere appreciation to the Field and Head Office Staffs. The new records in New Business are an indication of the skill and knowledge of the Field Force. That the Head Office staff, without an increase in number, handled efficiently business which grew in both volume and complexity reflects credit on each staff member.

On behalf of the Board

H. E. POWER, *Chairman of the Board*
T. R. SUTTIE, *President*

OUR PROGRESS AT A GLANCE

sales of life insurance

	1977	1976	1967
New Business —			
Life and Annuity	\$ 275,812,904	\$ 253,442,297	\$ 51,090,086
Business in Force —			
Life and Annuity	3,212,242,443	2,799,340,568	936,043,158
Income	45,524,311	42,609,688	12,582,402
Assets	167,883,476	146,160,081	64,013,339
Benefit Payments	15,609,938	16,102,980	5,986,369
Investment Reserve and			
Unassigned Surplus	10,510,270	9,858,705	5,013,338
Dividends to Policyowners	2,470,702	2,249,927	859,837
Earned Interest Rate	8.48%	8.22%	6.18%

(Net of investment expenses,
but before investment income tax)

explain

*The Equitable Life of Canada is a mutual company
owned entirely by its participating policyowners.*

AUDITORS' REPORT TO THE POLICYOWNERS

We have examined the statement of assets, liabilities and surplus of The Equitable Life Insurance Company of Canada as at December 31, 1977, and the summary of operations for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the policy reserves were determined and certified by the Company's actuary.

In our opinion, based on our examination and the certificate of the Company's actuary, the accompanying statement of assets, liabilities and surplus and the related summary of operations present fairly the financial position of the Company as at December 31, 1977, and the results of its operations for the year ended on that date in accordance with accounting practices prescribed or permitted by the Department of Insurance, Canada.

Kitchener, Ontario
January 25th, 1978

CLARKSON, GORDON & CO.,
Chartered Accountants

ACTUARY'S CERTIFICATE

The Policy Reserves of \$137,637,444 shown in the statement of assets, liabilities and surplus at December 31, 1977, are in excess of the reserves required by Section 82 of the Canadian and British Insurance Companies Act, and, in my opinion, make a good and sufficient provision for all unmatured obligations of the Company guaranteed under the terms of its policies, and the additions to policy reserves of \$18,498,531 shown on the accompanying statement of operations are a proper charge to operations for the year ended December 31, 1977.

January 23rd, 1978

Vice-President and Actuary
H. I. McINTOSH, F.S.A., F.C.I.A.,

SUMMARY OF OPERATIONS

THE SOURCES OF INCOME WERE:

FOR YEAR ENDED DECEMBER 31
1977 1976

Premiums:

FOR COMPARISON

Insurance	\$ 16,274,233	\$15,056,377
Annuity	12,336,945	12,844,644
Health	2,875,929	2,880,303
Segregated Funds	1,558,769	1,318,462
	<u>33,045,876</u>	<u>32,099,786</u>

Earnings from investments after investment expenses

Insurance, annuity and health	12,089,356	10,189,011
Segregated funds	389,079	320,891
	<u>45,524,311</u>	<u>42,609,688</u>

THIS INCOME WAS USED FOR:

Payments to policyowners and beneficiaries:

Death and Disability benefits	4,423,651	5,302,491
Matured endowments and cash values . . .	3,777,367	3,724,244
Annuity and settlement option payments . .	1,664,628	1,324,166
Interest on policyowners' funds	213,237	199,106
Health Insurance benefits	2,214,391	2,174,498
Benefits paid from Segregated Funds . . .	845,962	1,128,548

Additions to policy reserves to provide for future payments

***18,498,531** *17,512,724

Net realized and unrealized capital (gains) or losses on Segregated Funds

(390,540) (6,810)

Increase in Segregated Funds

1,492,426 517,615

Operating expenses:

Compensation for sales and field service to policyowners	2,954,768	2,678,346
Service to policyowners at Head Office and branches	4,501,422	4,208,964
Income tax, premium and municipal taxes and licence fees	1,710,172	928,973
	<u>41,906,015</u>	<u>39,692,865</u>

Net adjustment in asset values

(13,971) (52,088)

Dividends to policyowners in year

2,470,702 2,249,927

Increase in provision for next year's dividends to policyowners

510,000 416,500

Increase in Investment Reserve

350,000 200,000

Increase in Unassigned Surplus

301,565 102,484

\$ 45,524,311 \$42,609,688

* See comments in Directors' Report regarding "Policy Reserves".

STATEMENT OF - ASSETS

AT DECEMBER 31

THE COMPANY HAS THESE ASSETS TO MEET ITS
OBLIGATIONS TO POLICYOWNERS:

1977

1976

FOR COMPARISON

BONDS	\$ 37,681,209	\$ 35,660,687
STOCKS	8,372,549	6,558,904
MORTGAGES	93,028,358	79,125,073
REAL ESTATE	3,739,413	3,386,153
Head Office, income producing property and investment in and loans to real estate subsidiary.		
LOANS TO POLICYOWNERS		
Fully secured by the cash value of policies of this Company.	9,758,588	8,965,530
CASH	4,144,856	3,159,987
Including interest bearing deposit certificates withdrawable on demand		
PREMIUMS IN COURSE OF COLLECTION		
Fully secured by policy reserves.	1,554,254	1,411,574
INTEREST ACCRUED	1,900,901	1,664,402
Interest from last payment date to December 31		
SEGREGATED INVESTMENT FUNDS	7,464,708	5,972,282
Market value of the investments held in the funds		
OTHER ASSETS	238,640	255,489

Bonds and stocks are shown at amortized cost and cost respectively, less certain write-downs, but, in the aggregate, exceed the maximum values allowed by the Canadian and British Insurance Companies Act by approximately \$600,000 against which the Company carries an investment reserve of \$5,050,000

\$ 167,883,476

\$146,160,081

H. E. POWER, *Chairman of the Board*

- LIABILITIES AND SURPLUS

THE OBLIGATIONS OF THE COMPANY ARE:

AT DECEMBER 31

	1977	1976 FOR COMPARISON
POLICY RESERVES	\$ 137,637,444	\$119,118,823
This amount, with future premiums and interest earnings, provides for the payment of the benefits guaranteed by the Company's policies		
POLICYOWNERS' FUNDS	5,613,838	5,371,050
Policy proceeds left on deposit, dividends left to accumulate, policy benefits in process of payment, premiums received in advance and other policyowners' funds		
POLICYOWNERS' DIVIDENDS	3,235,000	2,725,000
Provision for dividends payable in 1978		
RESERVE FOR UNREPORTED CLAIMS . .	1,769,218	1,560,926
An estimate of claims which may have occurred but have not yet been reported to the Company		
TAXES AND EXPENSES DUE AND ACCRUED	1,315,607	659,824
SEGREGATED INVESTMENT FUNDS . . .	7,464,708	5,972,282
Contracts under which the benefits are determined by the market value of the securities, the obligation therefore being equal to the market value as carried in the assets		
OTHER LIABILITIES	337,391	893,471
Includes unallocated receipts		
Total obligations	<u>157,373,206</u>	<u>136,301,376</u>
INVESTMENT RESERVE	5,050,000	4,700,000
Protection against fluctuation in the value of the assets		
UNASSIGNED SURPLUS	5,460,270	5,158,705
This provides additional security for policyowners and their beneficiaries and additional earning power for policyowners' dividends in future years		
	<u>\$ 167,883,476</u>	<u>\$146,160,081</u>

T. R. SUTTIE, *President*

BRANCH OFFICES

Branch Manager

CALGARY

R. A. RAMSDEN, C.L.U.

EDMONTON

D. M. LILLYCROP, C.L.U.

HAMILTON

A. A. CAMPBELL

KELOWNA

H. V. WILLIAMS, C.L.U.

KITCHENER

B. H. MELICK, C.L.U.

LONDON

H. J. ROSE

MONTREAL

OSHAWA

K. H. QUINN

OTTAWA

B. T. BAIGENT, C.L.U.

REGINA

J. J. McGEADY

ST. CATHARINES

S. B. KELLY, C.L.U.

Branch Manager

TORONTO

506 - 4881 Yonge St., Willowdale

M. J. KATZMAN, C.L.U.

Suite 901 — 94 Cumberland Ave.

J. H. GREEN, C.L.U.

5th Floor, 56 Aberfoyle Cr.

VANCOUVER

256 - 409 Granville Street

650 - 1111 Melville Street

H. L. BENTEN

VICTORIA

NORTHWESTERN INSURANCE
AGENCIES LTD.

WATERLOO

E. F. GOMAN, C.L.U.

WINDSOR

P. S. REID, C.L.U.

WINNIPEG

P. S. TAYLOR, C.A., C.L.U.

B. D. PARKER, C.L.U. Unit Mgr.

Group Offices

CALGARY

F. SCHNEIDER, F.L.M.I.

TORONTO

P. KRAUSE

WATERLOO

D. J. MULLIGAN

MORTGAGE LOAN OFFICES

LONDON

A. E. ELMSLIE, A.A.C.I.

Manager

OTTAWA

G. R. HEWER

Manager

TORONTO

W. KOMPA, S.R.P.A.

Representative

WATERLOO

D. G. CHAMBERS

Manager



The **EQUITABLE LIFE** insurance company
OF CANADA

HEAD OFFICE - WATERLOO, ONTARIO